

Barbie, Addressing the Jury, Denies Guilt

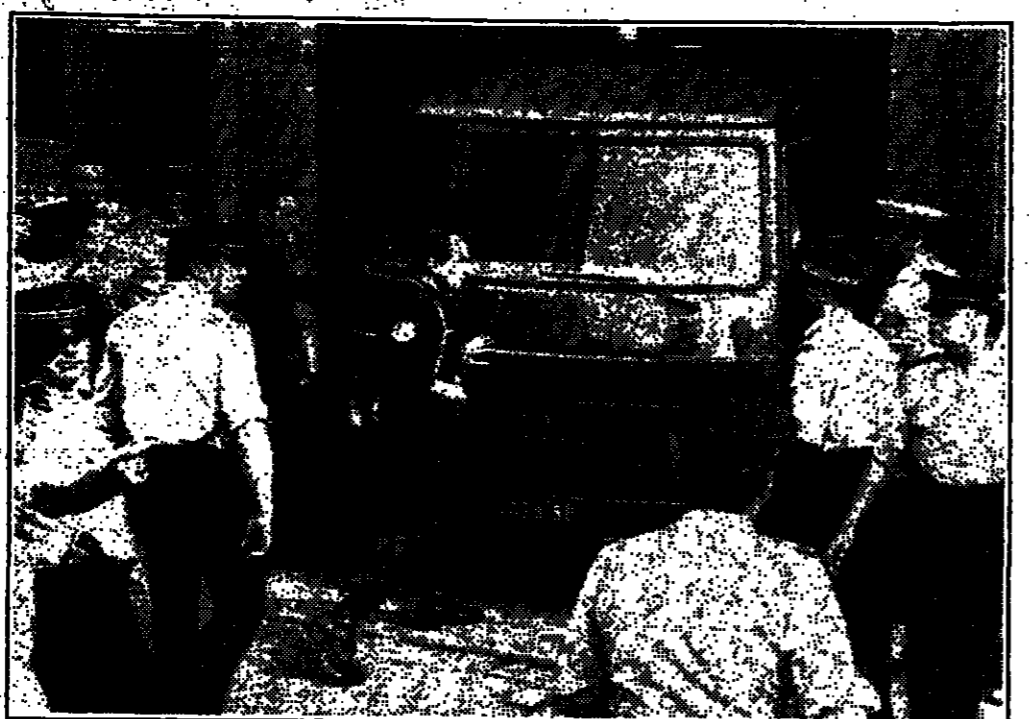
By Julian Nundy International Herald Tribune LYON—Klaus Barbie, ordered into court here Friday for the conclusion of his trial, rejected charges that he was responsible for the deportation of Jewish children and adults and said, "It was war and the war is finished."

the judge himself had to answer to reach a verdict. Barbie faces a maximum sentence of life in prison. A guilty verdict on any one of the five counts would convict him. Mr. Vergès told the jurors that Barbie's accusers had given them "a very presentable, guaranteed, made-to-measure devil."

On French feelings about the wartime record, he said: "Alone in the world, France makes a show of this strange historical delirium." Earlier, Mr. Vergès had argued that the crucial piece of evidence on the Izieu deportations, a photocopy of a telex bearing Barbie's signature and telling his Gestapo superiors in Paris that the children had been rounded up, was false.

The original of the telex has been lost. Mr. Vergès tried to prove that there were differences between two copies of the document, one of which was unearthed by the French Nazi hunter Serge Klarsfeld. Mr. Vergès said that the investigating magistrate had not agreed to expert examination of the telex. He did not explain why he had neither commissioned such an examination himself nor called experts as witnesses to back his thesis.

Mr. Klarsfeld, a historian and lawyer whose campaign to find Barbie led to the latter's expulsion from Bolivia to France in 1983, boycotted the three last days of the trial while the defense was making its plea. He had been representing the families of children from Izieu. The charge of crimes against humanity was formally introduced into French law in 1964. Three Frenchmen also face trials under the article for crimes committed during the Nazi occupation.



Police surrounding the van carrying Klaus Barbie as it arrived at the courthouse Friday.



Klaus Barbie: "It was war and the war is finished."

Concerns Persist In Seoul

Kim Dae Jung Cites Barriers to Democratic Rule

By Sam Jameson Los Angeles Times Service SEOUL—Kim Dae Jung, an opposition leader, has said that democracy was not yet assured in South Korea and warned that the government could still resort to suppression. In an interview Thursday night, Mr. Kim also: Warned that democracy, if achieved, would bring new problems. Vowed that the opposition would field only one major candidate.

Students rallied in Seoul to discuss how to keep pressure on the government. Page 2. date in a direct presidential election expected to be held by year's end.

Kiosk Soviet Warns U.S. on Gulf

MOSCOW (UPI)—The Soviet Union termed the expanded use of U.S. warships in the Gulf "impermissible" on Friday and warned that if they were not withdrawn, the Iraq war could erupt into an international conflict between the two superpowers. A government statement, carried by the official press agency Tass, said the Kremlin fully supported United Nations efforts to end the Iraq war.

39 Killed in Spain In a Bus Accident

MONTERREY, Spain (UPI)—A bus carrying elderly vacationers skidded off a highway and plunged down a ravine in northwestern Spain on Friday, killing 39 passengers and seriously injuring seven, officials said. The accident occurred as the bus carrying 60 passengers headed down a winding mountain highway outside Monterrey, 280 miles (450 kilometers) northwest of Madrid. Officials said it flipped over twice in a 490-foot (150-meter) fall.



Pat Cash beat Jimmy Connors, 6-4, 6-4, 6-1, Friday and will play Ivan Lendl in the men's final at Wimbledon. Page 11.

GENERAL NEWS The Taiwan cabinet sent proposals to parliament on lifting martial law. Page 2. Hale's military government, bowing to protests, said it would restore control of elections to a civilian group. Page 3. BUSINESS/FINANCE Yugoslavia won a \$240 million debt rescheduling from commercial banks. Page 8.

Toshiba Affair Shakes Affluent, Complacent Japan

By Barbara Crossette New York Times Service TOKYO—For Japanese industry, it was a week that shook a prosperous and complacent world. Admonished by the U.S. defense secretary, Caspar W. Weinberger, on Monday for allowing the Toshiba Machine Co. to illegally sell

paired Wednesday for the resignation of Toshiba's top two officials. The last shock, by all accounts, was the worst. Kenichi Ohmae, a leading management consultant, said it was like shooting two lords of the castle. Japanese executives, financial analysts and government officials may differ in apportioning blame or predicting the long-term consequences to U.S.-Japan relations of the head-on clash between Congress and Toshiba.

But a consensus is emerging on a number of crucial factors: Japan's business and government leaders failed to understand the depth of feeling in the United States provoked by damage to its strategic interests. Toshiba equipment, U.S. officials assert, has made Soviet submarines less easy to detect. Japanese officials were lax in enforcing laws governing the shipment of high technology to Communist nations. Toshiba should have been

gled out and punished earlier and more convincingly, and, a campaign should have been undertaken in the United States to assure American opinion that the damage had been controlled. The resignations of the Toshiba Corp.'s chairman and its president, Sotchi Saba and Sogichiro Watanabe, were unnecessary, or at least badly timed, and have almost certainly sent the wrong signal to the U.S. Congress. In an editorial Friday, the Asahi Shimbun, a liberal daily newspaper, said that in the American view, the Toshiba resignations will look like an admission of guilt, and that this will fan congressional attacks, not dampen them. In Japan, the resignations are accepted merely as traditional gestures.

There is an open resentment among the Japanese public, said Masahiko Ishizuka, managing editor of the Japan Economic Journal. They are surprised to see the Americans acting so tough. The best illustration of that, he said, was the American view, the Toshiba resignations will look like an admission of guilt, and that this will fan congressional attacks, not dampen them. In Japan, the resignations are accepted merely as traditional gestures.

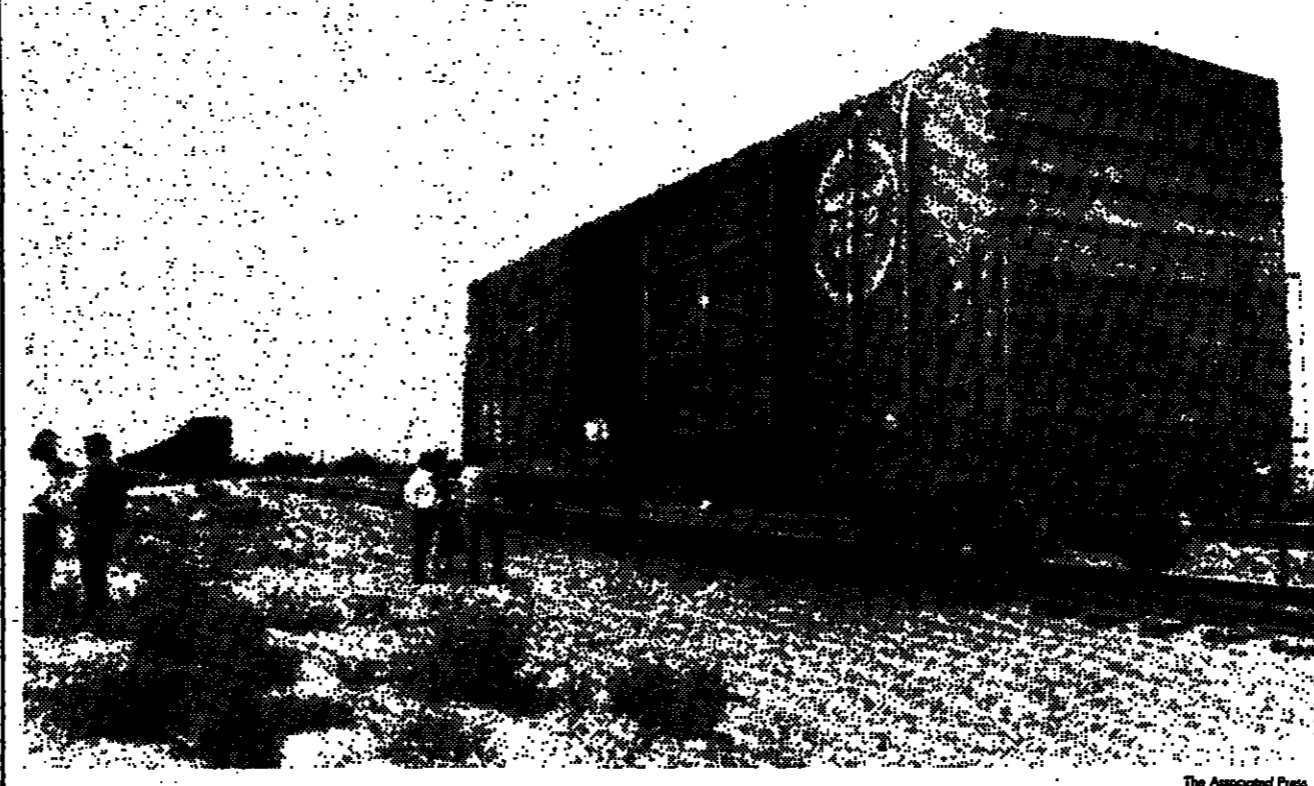
S. Africans To Defy Ban, Talk to ANC

By Allister Sparks Washington Post Service JOHANNESBURG—Fifty members of South Africa's white Afrikaner community plan to leave here Monday for a conference with leaders of the African National Congress, which is trying to overthrow the Afrikaner-led white minority government. The secretly organized meeting with the outlawed black nationalist group will be held in the Senegalese capital of Dakar.

According to organizers of the conference, the Afrikaner group consists of academics, writers, professional and business people who question or reject South Africa's apartheid system of white minority domination and believe whites and blacks should negotiate a new system for their country. They will spend four days in Dakar discussing the process of political change and the nature of a post-apartheid society with members of the guerrilla group's national executive board.

The South Africans are scheduled to visit Ghana and Burkina Faso as well as Senegal, and are expected to meet the presidents of all three countries in what is scheduled to be a two-week tour. Frederik van Zyl Slabbert, former leader of the liberal white opposition in the South African parliament, who is leading the group, said Thursday night that he regarded the meeting as "an historic occasion."

The conference and tour have been arranged by Mr. Slabbert's organization, the Institute for a Democratic Alternative for South Africa, which is leading the group, said Thursday night that he regarded the meeting as "an historic occasion." The development has set off what is depicted here as a major conflict between Turkey's civilian rulers and senior personnel in the powerful armed forces. In recent days, Prime Minister



BOXCAR TRAGEDY—The boxcar near Sierra Blanca, Texas, in which 18 illegal aliens died this week when locked inside in intense heat. The lone survivor said the victims fought each other and were "crazy." Border officials who found them said some of the men appeared to have died just hours before they were found. Page 3.

In Turkey, New Civilian Challenges to Military

By Alan Cowell New York Times Service ANKARA—In ways that would not have seemed improbable, Turkish politicians and newspapers have begun to challenge both the authority and the competence of members of the country's military, an institution previously immune from such public questioning. Moreover, some opposition figures say Mr. Evren, whose position is supposedly largely ceremonial, masterminded a series of events depicted as an assertion of civilian authority so as to pursue his own political aims within the military. In recent days, Prime Minister

But opposition politicians and some Turkish analysts say the government's apparent assertiveness has not denied the influence of President Kenan Evren, a former general still viewed as commanding personal authority and a strong military following. The press is slowly pushing at the outer limits of what the military will tolerate, a Western specialist said. Additionally, the specialist said, some Turks want to see a reduction in the still-pervasive influence of

Turgut Ozal has overridden a top army commander in designating a new chief of staff of his own choice, while newspapers have given prominence to reports of Mr. Ozal's dissatisfaction with the military's failure to halt a massacre of 30 villagers by a Kurdish group in southeastern Turkey last month. The press is slowly pushing at the outer limits of what the military will tolerate, a Western specialist said. Additionally, the specialist said, some Turks want to see a reduction in the still-pervasive influence of

the military and thus enhance the nation's image as a land striving for a return to full democracy. Mr. Ozal, who came to power in elections held under rules drawn up by the military but who was not regarded as the military's choice, has long sought to counter criticism that he is a creation of military rule. The military, under Mr. Evren, then the commanding general, took power in 1980 after years of political bloodshed. The generals withdrew in 1983, bequeathing a consti-

U.S. Prepares to Open First Diplomatic Mission in Mongolia

By Neil A. Lewis New York Times Service WASHINGTON—When the United States opens a mission sometime next year in Mongolia, the venture will have some of the flavor of diplomacy as practiced in the last century, when envoys journeyed to exotic places with pack animals and bearers cleared the way with machetes. Ulan Bator, the capital, is one of the most remote places on the globe. The U.S. government has never been represented there, although for decades a few American adventurers, paleontologists and journalists have visited, along with hunters who go there to stalk a mountain goat that is said to have the longest horn span in the world. So why open a diplomatic mission in Mongolia now, at the same time that budget constraints closed seven U.S. consulates worldwide last year and will close seven more this year?

"It will be an important listening post," said J. Stapleton Roy, a deputy assistant secretary of state. "It's a country between the two largest Communist countries in the world," China and the Soviet Union. Washington has long wanted diplomatic relations with Mongolia, which has been principally a Soviet satellite since a Mongolian Communist government was established in 1921 after Mongolia sided with the Russians in their dispute with China. And, Mr. Roy added, "it's always been a place of fascination for Americans." As a young Foreign Service officer and Asian specialist in the mid-1960s, Mr. Roy was groomed to be the first U.S. diplomat in Mongolia. He studied the language and waited seven years to go. But it was in vain, for a variety of factors prevented the establishment of formal relations. The United States was trying not to offend the government of Taiwan, which continued to contend that Mongo-

lia was a part of mainland China and not an independent nation. And the Russians were reluctant to allow the Mongolians to grant diplomatic recognition to the United States. But negotiations at the United Nations early this year finally succeeded in mutual recognition. U.S. officials say the agreement with the Mongolians to open missions in each other's country is, in the words of one, "a kind of symbolic gesture on the part of the Soviets to show these countries are not kept on a short leash." Since the agreement was signed in January, State Department officials have explored the practical problems of setting up an outpost in Ulan Bator, a city of about half a million people. Richard L. Williams, director of the office of Chinese

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U.S. Air Force Investigates Cruise Flaws

By R. Jeffrey Smith Washington Post Service WASHINGTON—The U.S. Air Force has begun an investigation into suspected defects in its nuclear-tipped, air-launched cruise missiles, air force officials and congressional sources have said. The investigation centers on allegations that a key part of the cruise missile has been improperly tested by its manufacturer, the Northrop Corp., calling into question the missile's ability to hit its targets, the officials said Thursday. Northrop announced Thursday that it had removed four employees at its plant in Pomona, California, which produced the parts, "pending the outcome of an investigation begun last week into possible irregularities in the testing of electronic components." Law enforcement sources in Washington confirmed that the Justice Department's Fraud Section and the Federal Bureau of Investigation were looking into the allegations. Northrop has produced the component, which is intended to keep the missile on course during high-

See DEFECTS, Page 5

Zambian Tribal Customs Add to AIDS Epidemic

By Blaine Harden Washington Post Service LUSAKA, Zambia—John Bwalya was supposed to sleep last fall with Alice, his brother's widow. The Zambians call it "cleansing." When a man dies, his widow is expected to have sexual relations with one of his relatives, usually a brother. According to a widely held traditional belief, this rids her of her husband's ghost and frees her to remarry.

you a coffin and saying you get in this coffin," Mr. Bwalya said. The AIDS epidemic that has swept across Africa in the past five years has been exacerbated in Zambia by deeply entrenched tribal customs. Those customs retain a strong hold on a large proportion of the country's seven million people, in part because of officials' unwillingness to publicly acknowledge the large number of people who are infected with acquired immune deficiency syndrome. That is the assessment of Zambian activists who say that the government intentionally fails to report all the AIDS deaths.

Mr. Bwalya, who requested that his real name not be used, says he was afraid to sleep with Alice, however, because her husband had died of AIDS. Despite pressure from the widow and her family and from his own uncle, Mr. Bwalya refused to cleanse his sister-in-law. With the help of an older brother, Mr. Bwalya fled his village in northern Zambia's copper belt and moved to Lusaka, the capital. "It was like someone bringing

Western observers in Zambia and international authorities on the fatal disease hold a similar view. "People in Zambia do not officially die of AIDS," said Emma Chibesakunda, chairman of the Catholic Women's League, an organization attempting to publicize the disease and challenge tribal customs that may help spread it. "When my cousin died of AIDS in March, we looked at his official death certificate and it said tuberculosis of the bones." Ms. Chibesakunda's willingness to speak openly about AIDS is unusual in Zambia. The Ministry of Health imposed a gag order last month on all health workers, ordering them not to release information on the disease. Zambia officially acknowledges about 300 cases and fewer than 100 deaths, figures that international health authorities say are absurdly low. Last year, hospital researchers in Lusaka found that AIDS infection levels were as high or higher than those reported anywhere else in the world.

According to their findings, the See AIDS, Page 5

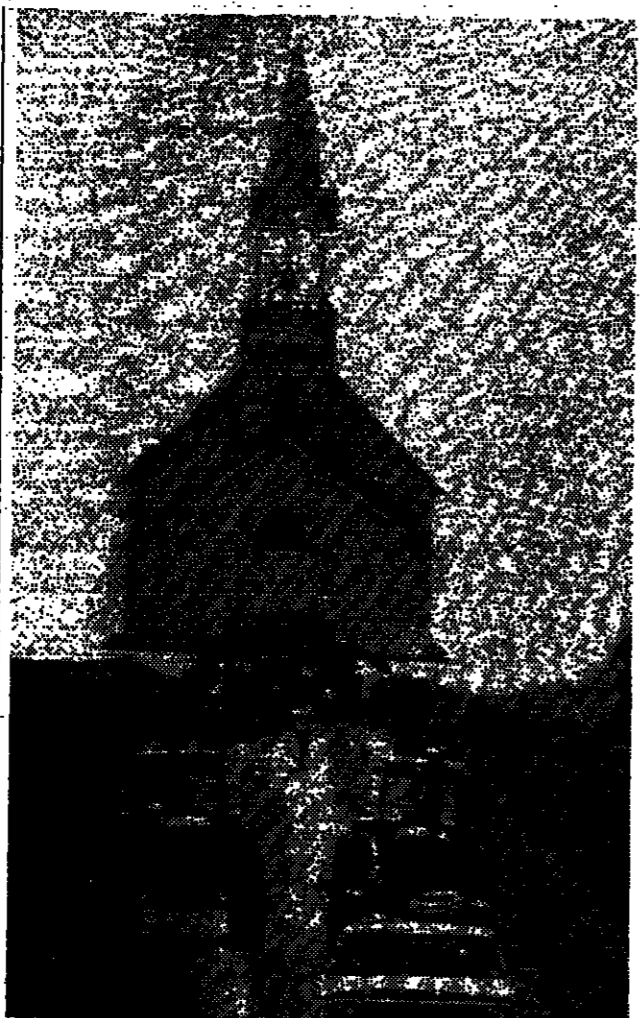
AMERICAN TOPICS

A Golden Fallout From 1984 Olympics

Southern California, long a major incubator of athletic talent, should become even more prominent now that it has probably the largest privately financed sports program anywhere...

Short Takes

Look up at the sky, says Jack Borden of Boston. "How many people who appreciate the beauty of the sky will ever ring a 7-Eleven cash register?"



RELIGION ON THE MOVE — Theophilus Church is heading slowly for a new home as a museum in Winside, Nebraska. The 100-year-old rural church, weighing 72 tons, was put on 42 wheels with a truck and two tractors pulling it in front and two behind to steady the big load.

The practice is robbing upstate New York of its rural heritage.

Wyoming is now the only state still refusing to raise the drinking age to 21, and this will cost it \$11 million in federal highway funds.

Trade relations with Japan have hit the hot dog barrier. Executives of Nathan's Famous, the Coney Island hot dog emporium,

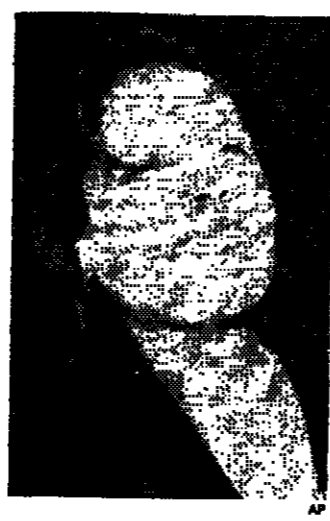
said they had tried to send a basket of frankfurters to Prime Minister Yasuhiro Nakasone, a known hot dog lover, but the gift was rebuffed.

—ARTHUR HIGBEE

Chilean Exile, on Return Visit, Encounters the Past

By Shirley Christian New York Times Service SANTIAGO — In the Chile of 1987, Carmen Castillo seems to have come directly from another time.

He died at her side in a shoot-out with military intelligence operatives on Oct. 5, 1974. She then spent three weeks in a military hospital, until international pressure led to her departure.



'Our generation was very free and had a great dream. We really thought that we were going to change the world, and that made us live outside of all convention.'

— Carmen Castillo

She was allowed to come home recently, nearly 13 years after two army officers put her on a plane to London and told her never to return.

She also brought back that past for other Chileans.

But Ms. Castillo also said that if she were to return to live in Chile today, she would pursue her passionate desire for social justice in other ways.

When she left Chile on Oct. 28, 1974, she had spent the year since the military coup in hiding with Miguel Enriquez, founder of the Leftist Revolutionary Movement.

Enriquez she was married to Andrés Pascal Allende, a nephew of President Salvador Allende, whose Socialist-Communist coalition government was overthrown by the Chilean armed forces on Sept. 11, 1973.

Mr. Pascal, the father of Ms. Castillo's 17-year-old daughter, Camille, leads the Leftist Revolutionary Movement today.

Castillo grew up in a tolerant household of the upper-middle-class intelligentsia and came of age in a tolerant era.

Ms. Castillo studied in the University of Chile's school of liberal arts, which she remembers as "the center of thinking and action of the

left." Meanwhile, in 1965, at the University of Concepcion, 300 miles (480 kilometers) to the south, Mr. Enriquez founded the MIR, defining it as an "instrument for the socialist revolution."

In the Castillo home, the debate was always lively. Ms. Castillo's father, Fernando Castillo Velasco, was an architect and professor who eventually became rector of the Catholic University.

She married Mr. Pascal, a university classmate, in late 1966. In those days, the MIR, although inspired by the Cuban revolution, was not fully legal but not quite clandestine either.

When the coup occurred and the armed forces began hunting down leftists, Ms. Castillo, her daughter and Mr. Enriquez moved and assumed false identities.

Once in exile herself, Ms. Castillo at first devoted her time to

denouncing the Pinochet regime; then she turned to examining her own experiences.

Over the years, she gathered the accounts of what other MIR members had been doing the day Mr. Enriquez died and put everything together in a book "An October Day in Santiago."

With her new companion, the French film maker Pierre Devert, with whom she has a 2-year-old son, she made a 1983 film, "The Walls of Santiago."

Ms. Castillo now speaks of finding a "new content" in her life. "In that era, when we were young," she said, "we were always talking about North American imperialism, but we never knew anything about the United States."

But she said she was dismayed at seeing many of the French of her generation, those who were the student rebels of 1968, "obsessed with a primary anti-Communism, which makes them renounce many of the things that were their life in other times."

Bork Fight Could Reshape '88 Campaign Agenda

By Paul Taylor and Dan Balz Washington Post Service

HOUSTON — As the seven Democratic presidential candidates broke camp here Thursday after their first major debate...

Judge Bork's nomination brings to the fore divisive social and civil rights questions that have remained relatively submerged through much of the Reagan era.

For the Democrats, the Bork confirmation battle is an opportunity to define the party's core values. Their most prominent interest groups have joined the fray, and the candidates are not far behind.

"This is the sort of fight that reduces everything to the bare essentials," said William Carmick, the campaign manager for Representative Richard A. Gephardt of Missouri.

a dilemma. Following landslide defeats in the 1980 and 1984 presidential elections, they have labored to shed their image as a party that is only the sum of its interest groups.

Perhaps because of this, some party leaders are not ready to declare the Bork nomination a test of what it means to be a Democrat.

He may fear that if the party is seen in this fight as being driven by aggrieved constituencies, it will have trouble attracting the moderate voters it needs, particularly in the South.

image of the party will be shaped more by its presidential candidates than by its congressional leadership or its chairman.

Some think this does not carry the risk it may have in the past. "The special-interest atmosphere has hung most heavily on Democrats when these groups are out there advocating more changes," said Mr. Babbitt.

He added that the fight over Judge Bork is rolling back the clock. That's what allows the Democrats to step into this one with a lot of vigor.

But for the next 16 months, the

fight. But Mr. Biden, who said he is deeply skeptical about whether Judge Bork should be confirmed, said that, his own fortunes aside, he thinks the struggle could help the Democratic Party's image.

"I think the vast majority of the American public does not share what I'll refer to as the Rehnquist view of the social history of their nation," Mr. Biden said, referring to William H. Rehnquist, the conservative chief justice of the United States.

Mr. Jackson said Supreme Court justices "must have the capacity to make sure that the poorest will be heard." He added that Democrats should not shrink from asserting that view, saying that after six and a half years of the Reagan presidency, "people are more sensitive" to those issues.

Advertisement for air conditioning services at the Palace Hotel, Gstaad, Switzerland. Includes phone number and address.

Texas Boxcar Victims Fought Heat And Each Other, Says Sole Survivor

SIERRA BLANCA, Texas — Eighteen illegal aliens trapped in a locked steel-walled boxcar "started to get crazy" and fought each other in unbearable heat as they died "little by little," the lone survivor said.

U.S. Border Patrol agents, conducting a routine inspection of a freight train about 90 miles (140 kilometers) east of El Paso, found the bodies Thursday inside the blood-spattered boxcar.

The only person found alive inside the car, Miguel Tostado Rodriguez, 21, of the Mexican state of Aguascalientes, survived by breathing through an opening that had been punched in the floor of the boxcar with a railroad spike.

Officials said the car had been locked from the outside, apparently by a smuggler who had arranged the entry of the 19 into the United States.

"With the darkness inside, I couldn't tell about the others," he added. "I thought some of them would be alive, but when the doors were opened, they were all dead."

Two of the dead apparently were part of a smuggling ring and were giving the others to the Dallas-Fort Worth area for \$400 to \$500

per person, said Sheriff Dick Love of Hudspeth County, Texas.

The design of the boxcar was such that once the door was closed, it locked automatically, said M.S. Dudley, a Border Patrol agent.

Some of the men had been dead for several hours when the bodies were discovered at 7:20 A.M., said Michael G. Wheat, an attorney for the Border Patrol in El Paso.

"As the heat grew in the boxcar, they began to shed clothing," Mr. Wheat said. "Some went into convulsions and died." He added that most of the men had no identification.

Mr. Wheat said the authorities are working with the Mexican consulate and other agencies in an attempt to identify the victims.

Mr. Seathoff said he had decided to inspect the boxcar after he noticed that one of the doors lacked a proper seal. He said he had heard Mr. Tostado's pleas for help.

Mr. Seathoff said.

more AIDS cases worldwide

GENEVA — The World Health Organization reported 53,121 known cases of acquired immune deficiency syndrome in 118 countries as of Wednesday.

The figure, released Friday, represented an increase of 1,370 cases over the previous month and an increase from 111 countries in which the presence of the disease had been reported.

took Thursday night would return calm. The measures followed threats from the United States to cut off more than \$100 million in foreign aid.

Some opposition leaders, said they were disappointed that the government had not reinstated a labor federation that it dissolved last week in another apparent contravention of the constitution.

At barricades in the capital Thursday, two civil servants displayed the depth of feeling the crisis has evoked, speaking bitterly of the government's seizure of the electoral process and insisting that they would not accept government paychecks, their first loyalty was to the people.

Pierre-Robert Anguste, deputy minister of information, said the government hoped the measures it

Haiti Restores Electoral Control to Civilian Group

By Joseph B. Treaster New York Times Service

PORT-AU-PRINCE, Haiti — In an effort to end the political crisis that has engulfed Haiti, the military government has announced that it is restoring control of the country's electoral process to an independent civilian council.

The nine-member electoral council established by Haiti's recently adopted constitution immediately responded Thursday night by announcing that it would begin drafting a new plan for conducting elections.

[Opposition leaders called Friday for the continuation of general strikes despite the government move. United Press International reported.]

The government indicated that a new date would have to be set for local elections, which it had scheduled for Aug. 23. It made no mention of the presidential elections, planned for late November, and there was no indication Thursday night that they might not be held as scheduled.

The announcements on television came at the end of a third day of nationwide strikes with scattered eruptions of violence in the capital. Four persons were killed and at least 13 were wounded by gunfire

from soldiers in Port-au-Prince. Medical authorities said at least 11 persons were killed in clashes with troops earlier in the week and about 70 were wounded.

It has been one of the bloodiest periods in Haiti since the chaotic weeks before and after the dictatorship of Jean-Claude Duvalier collapsed 17 months ago.

The government also announced on television Thursday night the resignation of the information minister, Jacques Lortie. He said at a news conference last week that the government did not care whether its decision to take control of the electoral process was constitutional.

When the government announced June 22 that it was taking control of elections from the electoral council, it touched off an upsurge of opposition that united virtually every political organization in the country.

The action was almost universally seen as a violation of the constitution that was overwhelmingly endorsed in late March, and as an attempt by the military leaders to transform their provisional government into a dictatorship.

The popularity of the constitution, copies of which some voters carried with them to the polls, stemmed from its array of carefully worded protections against the kinds of despotism that has dominated Haiti's history.

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Advertisement for diamonds, featuring a diamond image and text: 'DIAMONDS YOUR BEST BUY Single diamonds at wholesale prices by ordering direct from Antwerp, the world's most important cut-diamond market.'

Advertisement for Knap Solde 50% featuring large text and a diamond image: 'Knap Solde 50% A PARTIR DE SES COLLECTIONS 34, Fg SAINT-HONORE'

Large advertisement for the Canadian Lottery (Lotto 6/49) with the headline '\$ MILLIONS YOU CAN WIN BIG!' and details about prizes and how to play.

Lotto 6/49 Subscription Order Form with fields for name, address, phone, and checkboxes for different subscription options (10, 26, 52 weeks).

Statistics Index table with columns for market type and page number.

SATURDAY-SUNDAY, JULY 4-5, 1987

ECONOMIC SCENE

Post-Baby Boomers Seem A Forgotten Generation

By LOUIS UCHITELLE New York Times Service NEW YORK — The generation following the baby boom is finally coming of age, but without the expected economic impact.

The puzzle is why their earnings are not rising and whether this will change. Various explanations are offered. Factory work, once a big employer of unskilled young people, is disappearing.

ALTHOUGH the post-baby boomers are entering adulthood, many experts argue that the buying clout of their elders, the baby boomers, is great enough to keep business executives mesmerized into the 21st century.

Lufthansa Stake to Be Sold

Bavaria Bank Will Buy 5%

By Ferdinand Proczman International Herald Tribune FRANKFURT — West Germany's government will sell a 5 percent stake in Deutsche Lufthansa AG.

The move surprised industry analysts, who said it creates a formidable roadblock to reducing the government's stake in Lufthansa under its privatization program.

Pru-Bache Braves Investment Banking

'We might not meet our goal, but make a lot of money.'

— George L. Ball



By James Sterngold New York Times Service NEW YORK — Prudential-Bache Securities has never before been a pioneer, but these days its energetic chairman, George L. Ball, is leading the stock brokerage on what he calls an expedition into Wall Street's most inviting frontier.

World Bank's First Loan to Poland Reportedly Being Prepared

Compiled by Our Staff From Dispatches WARSAW — A senior World Bank official said Poland's proposed economic changes could allow the country to receive its first loan from the international lending agency, Polish newspapers said Friday.

Japan's Surplus In Trade Shrank Slightly in May

Compiled by Our Staff From Dispatches TOKYO — Japan's surplus on current account, the broadest trade measure, registered a modest decline in May from a year ago, the government reported Friday.

The Finance Ministry said the overall current account surplus narrowed to \$7.08 billion in May before seasonal adjustment, from \$7.65 billion a year earlier and \$7.99 billion in April.

Employment Is Stagnant in West Germany

INTERNATIONAL HERALD TRIBUNE NUREMBERG — West Germany's employment stagnated in June, the Federal Labor Office reported Friday, and government officials said they see little hope for significant improvement in jobless figures this year.

Currency Rates

Currency Rates table with columns for currency, rate, and change.

Other Dollar Values

Other Dollar Values table with columns for item, value, and change.

Interest Rates

Interest Rates table with columns for instrument, rate, and source.

Key Money Rates July 3

Key Money Rates table with columns for instrument, rate, and source.

IRS Shifts Tax Stance On Interest

By Nathaniel C. Nash New York Times Service WASHINGTON — The Internal Revenue Service has proposed regulations that would require taxpayers to keep detailed records in order to deduct the interest they pay on loans used for investments and business expenses.

The rule clarifies that deductibility would depend on the use of borrowed funds, rather than the source.

For example, interest on borrowings from investment accounts, such as cash management accounts, had been deductible. But whether that interest is still deductible would depend on how the loan is used.

But the rules would increase the paperwork and burden of proof for possibly several million taxpayers who regularly borrow to invest, as well as hundreds of thousands of small businesses that borrow for their daily operations.

Those individuals and businesses, in order for interest charges to be deductible, would be required to maintain meticulous records that trace how they spend any borrowed money.

Robins, Rorer Move Toward Merger

The Associated Press RICHMOND, Virginia — A. H. Robins Co. and Rorer Group Inc. have signed a letter of intent to pursue a merger with an indicated value of more than \$2.4 billion, negotiators for the two pharmaceutical companies said Friday.

The tentative merger plan announced Friday called for creation of two trust funds totaling \$1.75 billion to pay Dalkon Shield claims.

Montreal Bank Sues to Reopen Dome Bidding

Compiled by Our Staff From Dispatches TORONTO — Bank of Montreal said Friday that it was taking legal action to reopen bidding for Canada's troubled Dome Petroleum, after it and other Dome creditors rejected a \$5.1 billion Canadian dollar (\$3.83 billion) takeover offer by Amoco Corp.

The bank said its application in civil court in Calgary seeks to revoke a merger agreement between Dome and Amoco that bars consideration of new bids.

In a related development on the controversial merger, Dome declined to comment on a report by the domestic news agency, Canadian Press, that it wants Amoco to improve its bid. The agency quoted unnamed banking sources.

PATEK PHILIPPE GENEVE GOLAY FILS & STAHL advertisement with watch image and contact info.

U.S. Flip-Flop on Antilles Treaty: Surprise! Americans Are Irate, Too

New York Times Service NEW YORK — The U.S. Treasury Department says it reconsidered the decision to end a tax treaty with the Netherlands Antilles because of pressure from Americans who own bonds issued in the tax haven by U.S. corporate subsidiaries.

The Treasury now says that it will seek legislation to allow interest paid on those bonds to be exempt from withholding taxes, but refuses to call the decision an 180-degree policy shift.

The main issue was to terminate the treaty because the United States is a lot better off without it. He acknowledged that the Treasury had not anticipated the reaction to the news that the treaty would be terminated.

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BUSINESS ROUNDUP

USA Today: Road to Survival Littered With Losses

By Alex S. Jones
New York Times Service
NEW YORK — In a move of unusual corporate candor, Gannett Co. has cooperated in the preparation of a book chronicling the tumultuous history of its USA Today, complete with tales of infighting, costly mistakes and a furious struggle to keep the national newspaper alive.

That evening, the executives entered a private dining room at a local restaurant to find a long table spread with jugs of Manischewitz wine and pieces of unleavened bread, in an imitation of the Last Supper.

Mr. Neuharth, with a crown of thorns on his head and a huge wooden cross leaning against the wall behind him, told the stunned executives, "I am the crucified one," according to Mr. Priehard's account. Then he presided at what he called "The Service for the Passed-Over," which was to be the executives' fate if USA Today failed.

Grand Met Acquires 10% Stake in Martell

By Axel Krause
International Herald Tribune
PARIS — Grand Metropolitan PLC, the British food, beverage and hotel group, said Friday it had acquired a 10 percent share in Martell & Compagnie, France's second-largest cognac producer, for around £20 million (\$48.5 million).

percent of the company's 1.3 million shares outstanding, and 57 percent of the voting rights.

we have not only the product, but a partner which is particularly strong in the Far East where we are not.

Hachette Takes Control Of Le Provençal Papers

MARSEILLE — Hachette, the big French publisher, said Friday that it had taken control of the Marseille-based newspaper group Le Provençal, founded by the Socialist politician Gaston Defferre.

COMPANY NOTES

Amada Co., a Japanese manufacturer of lathes and press machines, said net profit fell to 4.05 billion yen (\$27.55 million), or 20.82 yen per share, in the year ended March 31, from 14.56 billion, or 74.87 a share, a year earlier.

Intel Corp., the California-based chip maker, is to build production lines for Japanese markets at its Malaysian and U.S. plants, after criticism from Japanese users who were undersupplied in the spring when Intel's plant had a production problem.

CURRENCY MARKETS

Dollar Rises Strongly On News From Japan

NEW YORK — The dollar ended a holiday-shortened session on Friday with robust gains, especially against the yen, after comments by Japan's prime minister and news of a narrower Japanese trade surplus for May, dealers said.

Earlier in London, the dollar closed at 1.8390 DM, up from Thursday's close of 1.8315 DM. It finished at 148.65 yen, well up from 147.22 yen. The yen's value slipped to \$1.6140 from \$1.6150.

On the Continent, the dollar firmed to 1.8372 DM at the fixing in Frankfurt, from 1.8289 DM on Thursday, and to 6.1215 French francs in Paris, up from 6.1040.

It closed at 1.5283 Swiss francs in Zurich, up from 1.5205.

Yugoslavia Wins A Rescheduling

BEGRAD — The Yugoslav government has reached an agreement with Western commercial creditors to delay payments on \$240 million of its foreign debt, the state news agency Tanjug reported Friday.

Free Investor Information

The latest information from the distinguished companies listed in this section are available to you at no charge.

ANT Telecommunications
ANT Nachrichtentechnik GmbH is one of the leading companies in the telecommunications sector, with activities in multiplex systems, telecommunication cable systems, microwave systems, space communications systems, special communications system and audio systems.

BASF
BASF is a major international chemical company. Its trailblazing scientific and technological achievements, integrated production and intensive marketing have built a significant position for BASF in world markets.

Bayer
The year 1986 continued the sequence of successful Bayer years which started in 1983. Although the turnover of Bayer World fell by 11.3 per cent to DM40.75 billion because of currency developments and lower selling prices, income before tax rose by 4.9 per cent to a record-breaking DM3.3 billion.

BAYERISCHE VEREINSBANK AG
BAYERISCHE VEREINSBANK AG is paying its more than 90,000 shareholders an increased dividend of DM 73.00 (= 26%) for 1986. As a successful commercial and mortgage bank, we have continued to expand our home and abroad.

DAIMLER-BENZ AG
In 1986 Daimler-Benz was able to continue on its successful course of growth. Consolidated sales, of which one-quarter was accounted for by the new divisions AEG, Dornier and MTU, and three-quarters by the traditional automotive sector, rose 25% to over DM 65 billion.

HOECHST
In 1986, Hoechst has maintained its position as one of the world's leading chemical companies. The range of products extends from chemicals through fibres and plastics to pharmaceuticals and plant protection agents.

LYONNAISE DES EAUX
Consolidated profits of Lyonnaise des Eaux (370 million francs Group share) advanced 32% in 1986 with earnings per share increasing 10%.

MARKS AND SPENCER
Marks and Spencer is the leading UK retailer. High Street outlets predominate, but the second edge-of-town store opens in 1988. Market share of UK clothing sales continues at 16%.

SOLVAY
Solvay, founded in 1863, is the 2nd largest Belgian company and ranks among the top 10 chemical companies in Europe. It operates through 130 subsidiaries spread over 32 countries and has more than 44,000 employees.

SOMMER ALLIBERT
Europe's foremost manufacturer of plastics for the home, for industry and containers. Europe's foremost manufacturer of floorings. The outstanding features of 1986 were:

THYSSEN AG
Materials, components and systems are the fields of activity in which Thyssen is successful. The West German company is the largest private steelmaker in Europe. It is an international specialist for industrial, ready-to-install components.

TRANS EUROPE FUND N.V.
Trans Europe Fund - quoted on the Amsterdam Stock Exchange - is one of Europe's fastest growing open end investment funds. It offers the investors a well diversified participation in companies whose operations are based in the European Community, the Scandinavian countries and in Switzerland.



BUSINESS ROUNDUP

PRU-BACHE: U.S. Retail Brokerage Braves a New World of Investment Banking, Undaunted by Tough Odds

(Continued from first finance page) banking field convinced Prudential-Bache that it had a shot at the opportunity cost. This is a tremendous business to get into now.

Prudential-Bache started down this road once before. But after serious discussions with Dillon, Read & Co. in mid-1985, Prudential-Bache decided that acquiring the small firm meant paying too much for too little.

The truth is that this is not a subject about which we have a great deal of conviction," Mr. Keith said. While "the Pru" backs the expansion, he said, it does not see the plan as essential to Prudential-Bache's future.

four firms in the bracket are Salomon Brothers, First Boston, Goldman, Sachs & Co. and Morgan Stanley & Co.

Its strategy is provoking much questioning on Wall Street. "You clearly cannot just have investment bankers," said Samuel Liss, an analyst with Salomon Brothers.

Vauxhall Reports £62 Million Loss

LONDON — Vauxhall Motors Ltd., a British unit of General Motors Corp., said Friday that its net loss had widened in its most recent financial year to £61.7 million (\$99.4 million), although it achieved the second-highest revenue in the company's history.

Euro-Commercial Paper

Table with columns for 15-45 days, 46-75 days, 76-105 days, 106-133 days, 136-165 days, 166-183 days. Includes sub-tables for 15-45 days, 46-75 days, 76-105 days, 106-133 days, 136-165 days, 166-183 days.

'You cannot just have investment bankers. You have to have the ability to trade and execute transactions.'

— Samuel Liss, Salomon Brothers analyst

Mr. Bell, who was president of E. F. Hutton until joining Prudential-Bache in 1982, hired away dozens of other firms' retail brokers with huge bonuses.

It was the kind of controversy that Prudential-Bache's consensus-minded executives try to avoid. In fact, the new effort illustrates both the advantages and disadvantages of Prudential-Bache's link to Prudential, the country's largest insurer, with \$139 billion in assets.

None of this would be happening without our shareholder, the Pru," Mr. Fowler said. "With them we have a very important advantage."

and execute transactions, and that can take time to prove."

Mr. Bell has managed to whip Prudential-Bache's retail side into far better shape since his arrival. The firm suffered a \$113 million loss in 1984, a Wall Street record, but bounced back to show a \$43 million profit in 1985 and an \$82 million profit last year.

So far, the firm has not been deterred in its quest by the fact that no firm in recent times has accomplished a similar goal. The only two major retail firms to have reached the bulge bracket are Merrill Lynch & Co. and Shearson Lehman Brothers Inc.

and underwriting for medium-sized corporations. Prudential-Bache is also trying to succeed in the high-risk but fashionable business of merchant banking.

Washington — The National Aeronautics and Space Administration says it has selected Grumman Aerospace Corp. for its biggest space station award to date, a contract worth up to \$1.24 billion.

Grumman will provide technical and engineering support, a spokesman for the U.S. space agency said Thursday. The station is expected to be in orbit in the mid-1990s.

London Commodities

Table with columns for High, Low, Bid, Ask, Close, Prev. 5/15. Includes sub-tables for SUGAR, COCOA, COFFEES, and other commodities.

Paris Commodities

Table with columns for High, Low, Bid, Ask, Close, Prev. 5/15. Includes sub-tables for SUGAR, COCOA, COFFEES, and other commodities.

To Our Readers

London metal prices were not available in this edition because of transmission problems.

AMERICAN EXPRESS COMPANY (CDR)

The undersigned announces that as from July 6, 1987, the European American Bank & Trust Company has terminated her activities as custodian for our company.

from International Investor V

Simply circle the appropriate number on the coupon at the bottom of the page before July 23, 1987 or telex the numbers with your return address, and the report(s) will be mailed to you by the companies involved.

BSN GROUPE advertisement. For the French leading food and beverage group, 1986 was a favorable year, with as major event, Générale Biscuit acquiring.

Bull advertisement. Group BULL is an international data processing and communications group present in 75 countries, with 26,800 employees.

CARNAUD advertisement. Carnaud corporate planning. Our target: excellence for our costumers. A genuine job: packing.

CGE advertisement. The CGE Group is one of the world's leading industrial concerns. Its subsidiaries' achievements command worldwide recognition.

NIXDORF COMPUTER advertisement. From computers to telecommunications, Nixdorf offers a broadly based product spectrum for integrated information processing.

PEUGEOT S.A. advertisement. The PSA group is one of the first industrial groups in France, the first French exporter and the fourth European car manufacturer.

SKANSKA advertisement. Skanska is one of Europe's leading civil engineering and building contractor with a reputation for handling advanced projects.

société nationale elf aquitaine advertisement. In 1986 the ELF AQUITAINE Group had a cash flow of 16.5 billion Ffr. and a consolidated net profit of 4.3 billion Ffr.

VEBA AG advertisement. VEBA is one of Germany's leading companies. It is a broadly based industrial and service organization working in four major areas of activity.

VIAG advertisement. The Viag Consolidated Group registered an annual surplus of DM 149 million in 1986 — a record result for the post-war period.

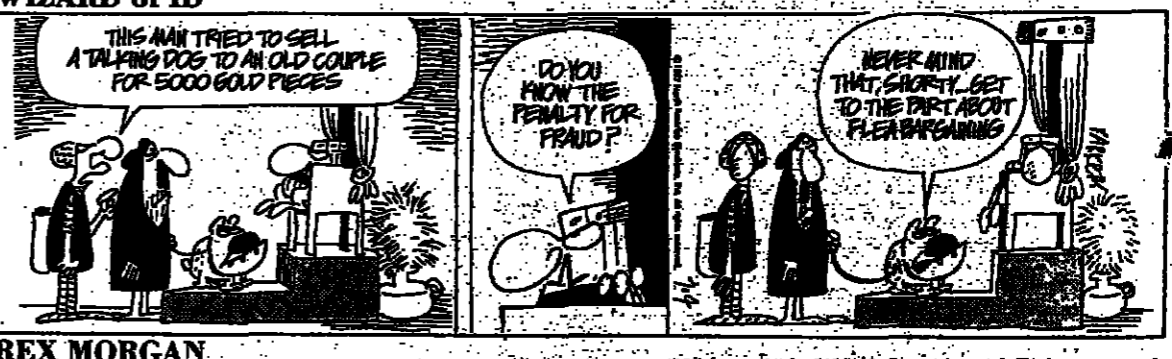
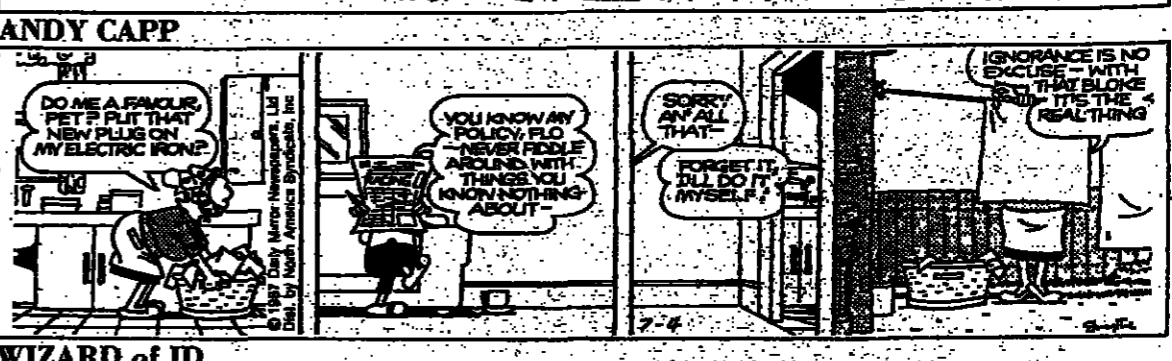
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ACROSS
1 Retiree
5 Role Jessel enjoys
10 Chew the scenery
15 Turkish city on the Seyhan
20 Do personnel work
21 Victor at Getzysburg
22 Anagram for drain
23 Columbus, to Columbia, e.g.
24 One of Cleopatra's maids
25 Actress Ina or Mireille
26 Gobbler?
28 Upright windlass?
30 Scarce
31 Loci of some frogs
32 W.A. Keeney's state
33 Examines carefully
34 "Western Star" poet
35 Hit the bottom
37 Thank-you (road bump)
38 Da — (from the beginning)
39 Hugo of film-dom: 1901-68
43 Kind of line or wire
44 Items for madam's hair?
48 — Incognita

DOWN
1 Sporting the latest
2 Coin in Calabria
3 Not give —
4 Camper's set of utensils?
5 Build a levee on
6 One kind of test
7 African lily
8 Adams and Sedgwick
9 Counting-out word

Formal Forms BY BARRY L. COHEN
A crossword puzzle grid with numbers 1-115.

DOWN
36 Recipient of patronage
37 Maori war club
38 Flank shoot
40 Come to pass
41 Kibbutz's Russian kin
42 Pert
43 Do a grammar exercise
44 Meet in Metz
45 Horse course
46 Local god of 47 Sartorial side
48 Vibrato
52 Fish spears
54 Fine pony
55 Hard rubber
56 Cinema —
57 Ref's decision
60 Cossack chief
61 Fool
64 Bly and Forbush
66 Stange guy
68 Cribbage item?
70 Kin of Mme. de Sevigne
71 Psychic energy
72 "Auld" bios-ruins'
74 Schiller
76 Certain med.
78 Located
79 Cynical look
80 R.S.F.'s birthplace
81 Kind of acid
82 Austrian plan
83 Friedrich
109 Ionian isle
110 Forcibly, in poetry
111 Culpability
112 Recorded proceedings
113 Masquerade
114 Famed hill near Dublin
115 Hula
116 Bar order
117 Swerve
118 "Aeneid" opener
119 Elbow's need
121 Shute's "In the



BOOKS

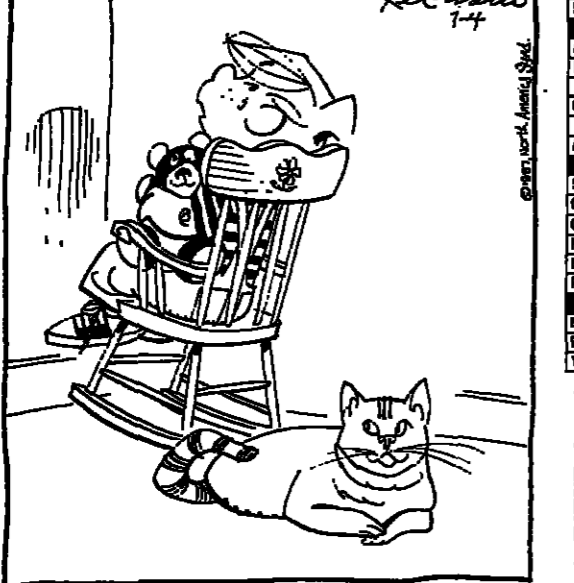
ONWARD AND UPWARD: A Biography of Katharine S. White by Linda H. Davis. 300 pages. \$22.50. Harper & Row, Publishers Inc., 10 East 53d Street, New York, N. Y. 10022.

once on 20th-century American literature, and like Perkins, she comes late to the recognition she deserves. Linda Davis has written a solid, respectful, affectionate biography that, like Scott Elledge's life of E.B. White, never quite overcomes the central obstacle its subject's life presents: For all the undeniable importance of her career and the great force of her personality, Katharine White's life was neither dramatic nor eventful.

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DENNIS THE MENACE



Solution to Last Week's Puzzle

A crossword puzzle grid with the solution to last week's puzzle.

WEATHER

Table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, and OCEANIA. Includes high/low temperatures and weather conditions.

World Stock Markets

Table showing closing prices for various stock markets including Amsterdam, London, Frankfurt, and Tokyo.

Multiple tables and sections including Singapore, Manila, Milan, Stockholm, Paris, Sydney, and Tokyo stock market data, plus a 'To Our Readers' note.



POSTCARD

Searching for Waves

By Eric Schmitt
New York Times Service
SEASIDE PARK, New Jersey—
Shortly before sunset, two dozen surfers in glistening wetsuits bob in the 55-degree water 20 yards offshore. Clinging to their boards, they gaze out at the churning ocean and wait for the perfect wave.

By Phil McCombs
Washington Post Service
WASHINGTON — Piers Paul Read, the British novelist, went to live in France in 1979 with his wife and children. He was having trouble writing and thought it would perk him up.

Piers Paul Read, the Free Novelist



"I felt my vocation was as a novelist."

Read's fiction hasn't caught on widely in the United States, but he is known for "Alive" (1974), his nonfiction account of how the survivors of an Andes plane crash ate parts of their dead comrades while awaiting rescue. The book sold 250,000 copies in hardcover and 4 million more in paperback.

Read's mother, a Catholic, raised him in the church. He has been compared to Graham Greene, although "I don't really like him as a writer. My Catholicism tends to be domestic, in a sense, whereas his is very much outside the context of the family."

PEOPLE

Rock Stars in Moscow

The U.S. rock promoter Bill Graham has brought Santana, the Doobie Brothers, James Taylor and Ronnie Spector to the Soviet Union for a Saturday concert marking the end of a marathon Soviet-American walk for peace. The walk, arranged on a private basis by American and Soviet peace groups, began in Leningrad June 17 and ended in Moscow Wednesday.

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